



General Assembly

Distr.: General
31 March 1998

Original: English

Fifty-second session

Agenda item 140

Financing of the United Nations Preventive Deployment Force

Report of the Advisory Committee on Administrative and Budgetary Questions

Addendum

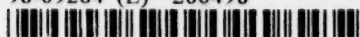
1. By its resolution 795 (1992) of 11 December 1992, the Security Council authorized the deployment of a United Nations presence in the former Yugoslav Republic of Macedonia. By its resolution 983 (1995) of 31 March 1995, the Security Council decided that the United Nations Protection Force (UNPROFOR) within the former Yugoslav Republic of Macedonia should be known as the United Nations Preventive Deployment Force (UNPREDEP). The Security Council, by its resolution 1142 (1997) of 4 December 1997, decided to extend the mandate of UNPREDEP for a final period terminating on 31 August 1998, with the withdrawal of the military component immediately thereafter.

2. As indicated in paragraph 9 of the report of the Secretary-General (A/52/805), total resources made available to UNPREDEP, from its inception until 31 June 1998, amount to \$123.3 million gross, the expenditures total \$116.8 million gross, an amount of \$5.2 million gross has been credited to Member States and, as of 25 February 1998, a total of \$115.8 million had been assessed on Member States for the same period, that is, 1 January 1996 to 30 June 1998. Contributions received for the period amount to \$83.5 million, resulting in a shortfall of \$32.3 million.

3. The Advisory Committee notes from paragraph 14 of the report of the Secretary-General that full reimbursement for troops has been made to troop-contributing countries for the period ending 31 May 1997 and that an amount of \$8.3 million is owed to troop-contributing countries for the period ending 31 January 1998.

Financial performance for the period from 1 July 1996 to 30 June 1997

4. The financial performance report for UNPREDEP for the period from 1 July 1996 to 30 June 1997 (A/52/768) reflects expenditures in the amount of \$50.4 million gross, resulting in an unencumbered balance of \$1.3 million gross. In paragraph 14 below the Advisory Committee recommends that this balance be credited to Member States. According to the Secretary-General, the unencumbered balance is due mainly to lower deployment of civilian staff, availability of supplies from United Nations Peace Forces (UNPF) headquarters and greater reliance on the United Nations-owned communications network. The Committee was informed, upon inquiry, that the vacancy rate for the period from 1 July 1996 to 30 June 1997 was 26 per cent for international staff and 15 per cent for local staff.



5. The Advisory Committee points out that the unencumbered balance of \$1.3 million referred to above has been recorded despite the reduction of \$1.0 million recommended by the Committee and approved by the General Assembly, and it is over and above the absorption within the budget of \$358,200 for the United Nations Logistics Base at Brindisi, \$922,800 for maintaining the Force's military component at the level of 1,050 rather than at the budgeted level of 750 and \$140,100 for expenditures pertaining to the prior financial period. It therefore appears to the Committee that the Secretary-General's initial budget estimates for UNPREDEP for the period from 1 July 1996 to 30 June 1997 were inflated.

6. The Advisory Committee notes from paragraph 8 of the performance report that unliquidated obligations in the amount of \$140,100 in respect of expenditures pertaining to the period ending 30 June 1996 were recorded in the mission's accounts for the period from 1 July 1996 to 30 June 1997. The Committee regrets that the performance report does not contain any explanation of why this amount was not properly recorded in the relevant period. The Committee requests that future performance reports for peacekeeping operations provide complete explanations of the reasons for recording expenditures in accounts for subsequent budget periods.

7. Annex I to the performance report contains a detailed breakdown of the estimated expenditure of \$50.4 million gross by budget line and recurrent and non-recurrent expenditure; it also provides a breakdown of unliquidated obligations and projected savings/overruns by budget line. The Advisory Committee was provided with an update on unliquidated obligations for the period from 1 July 1996 to 30 June 1997; the total amount of unliquidated obligations was reduced, as at 28 February 1998, from \$30.8 million to \$18.5 million, of which the largest provision (\$14.1 million) falls under contingent-owned equipment. The Committee stresses, in this connection, the importance of prompt settlement of bills, especially with troop-contributing countries.

8. The Advisory Committee observes that the entire estimated expenditure of \$12.8 million under contingent-owned equipment represents an unliquidated obligation and reflects a projected overexpenditure of \$9.3 million. The Committee notes from the performance report that the requirements for reimbursement of contingent-owned equipment for the period from 1 January 1996 to 30 June 1997 were originally estimated at \$6.8 million (A/52/768, annex II.B, para. 12); an amount of \$5.8 million was obligated for reimbursement of contingent-owned equipment, of which \$2.3 million were included in the

performance report for the period from 1 January to 30 June 1996. According to the Secretary-General, it was projected that an amount of \$15,104,700 would be required for the period from 1 January 1996 to 30 June 1997 for reimbursement of major equipment under the new wet-lease arrangements to three battalions (\$11,937,185) and for self-sustainment (\$3,167,515) (*ibid.*, para. 13).

9. The Advisory Committee is seriously concerned that the requirements for reimbursement of contingent-owned equipment for the period from 1 January 1996 to 30 June 1997 have increased from the original estimates of \$6.8 million to \$15.1 million, including requirements for self-sustainment of \$3.2 million. Moreover, the requirements for reimbursement of contingent-owned equipment from the inception of UNPREDEP on 1 January 1996 to end of its mandate on 31 August 1998 are currently estimated by the Secretary-General at \$28.3 million (see A/52/805, annex II.C, para. 3). The Committee was informed, upon enquiry, that these requirements are based on the retroactive application of the new wet-lease arrangements to the period beginning on 1 January 1996.

10. The Advisory Committee was informed that no agreements on the new wet-lease arrangements had been signed with the three troop-contributing Governments as at the date of the hearings, that is, 3 March 1998. The Committee points out, therefore, that the estimates for reimbursement of contingent-owned equipment are, at this stage, merely projections. The Committee is concerned about what appear to be deviations from procedure for new contingent-owned equipment arrangements. For example, no one from Headquarters had visited the mission to discuss with the battalions the new contingent-owned equipment arrangements; Headquarters staff were not involved in the negotiations on the new contingent-owned equipment arrangements conducted by the mission (negotiations with the troop-contributing countries were, in fact, conducted by three gratis personnel from three countries); and no inspections of the contingent-owned equipment called for under the new arrangements had been carried out by the time of the hearings. Furthermore, since the contingent-owned equipment is already in theatre, there is a strong possibility that the new wet-lease arrangements might involve reimbursement by the United Nations for equipment that it would otherwise not have requested or needed, had the procedures been followed properly. It appears, therefore, that at this stage the capacity of the Organization to implement the new contingent-owned equipment arrangements and to benefit from them is deficient. The Committee recommends, therefore, that the Secretary-General take all necessary measures adequately to review projected requirements for

reimbursement of contingent-owned equipment under the new wet-lease arrangements, including an immediate special audit by the Board of Auditors on this issue, which would, *inter alia*, address arrangements in place for application of the new contingent-owned equipment procedures.

11. With regard to the estimated requirements for self-sustainment of \$3.2 million, the Advisory Committee notes from the performance report that reimbursement on a wet-lease basis and for self-sustainment had resulted in reduced requirements on other budget lines, such as minor alteration of premises, upgrading of roads, spare parts, repair and maintenance of motor vehicles, rental of vehicles, commercial communications and communications spare parts, office furniture, equipment and supplies, other equipment spare parts, contractual services, medical services and supplies, observation equipment and quartermaster and general stores (A/52/768, annex II.B, para. 13). The Committee points out, however, that the performance report does not contain information on savings under these budget lines resulting from self-sustainment of military personnel. The Committee recommends that this information be included in budget performance reports on all peacekeeping operations where the new wet-lease arrangements are put in place.

12. The Advisory Committee was informed that the amount of \$3.2 million for self-sustainment was owed to three contingents for the period from the date of arrival in the mission area through 30 June 1997, and that it was not possible retroactively to quantify reduced requirements under other budget lines as a result of self-sustainment. The Committee points out, however, that the mission had provided supplies and services from its budget to military personnel. It is important, therefore, that the Secretary-General clarify and confirm that reimbursement under the new wet-lease arrangements with troop-contributing Governments does not include provisions for support and services already provided by the United Nations to military personnel.

13. Under budget line item 1(b), Military contingents, savings of \$60,700 under welfare, \$245,400 under daily allowance and \$984,400 under emplacement, rotation and repatriation of troops result mainly from the fact that one contingent did not request a reimbursement from the United Nations. In this connection, the Advisory Committee recommends that when reimbursements are not claimed in a consistent manner, the administration should obtain a written confirmation from the respective Government that no such claims will be submitted in the future.

14. As indicated in paragraph 9 of the performance report, the General Assembly needs to take action on the unencumbered balance of \$1.3 million gross for the period from 1 July 1996 to 30 June 1997. The Advisory Committee recommends that the unencumbered balance be credited to Member States in a manner to be determined by the General Assembly.

Cost estimates for the period from 1 July 1998 to 30 June 1999

15. The cost estimates for UNPREDEP amount to \$15.7 million gross for the maintenance of the mission for the period from 1 July to 31 August 1998 and to \$6.6 million gross for its liquidation thereafter, for a total of \$22.3 million gross, as reflected in the report of the Secretary-General (A/52/805). The Advisory Committee observes that the estimated requirements of \$22.3 million gross represent almost half of the appropriations approved by the General Assembly for UNPREDEP for the entire 12-month period ending on 30 June 1998 (\$46.5 million gross). In paragraph 23 below, the Committee recommends an appropriation of \$20 million gross, a reduction of \$2.3 million.

16. The Security Council, by its resolution 1142 (1997) of 4 December 1997, extended the mandate of UNPREDEP for a final period until 31 August 1998, with the withdrawal of the military component immediately thereafter. The Advisory Committee points out that in paragraph 2 of the same resolution, the Council requested the Secretary-General to report by 1 June 1998 on the modalities of the termination of UNPREDEP and to submit recommendations on the type of international presence that would be most appropriate for the former Yugoslav Republic of Macedonia. The Committee points out that the estimates in the report of the Secretary-General are based on the assumption that the military personnel and civilian police of the mission will be phased out by the end of September 1998 and do not reflect requirements for any possible United Nations presence in the former Yugoslav Republic of Macedonia.

17. According to the Secretary-General, the phasing out of 750 troops, 35 military observers and 26 civilian police will be completed by the end of September 1998. Annex V to the report contains the phasing-out schedule of military and civilian personnel.

18. Annex I to the report provides a breakdown of the cost estimates for the period from 1 July 1998 to 30 June 1999. Column 1 of the annex contains, for comparison, the cost estimates for the period from 1 July 1997 to 30 June 1998 as proposed by the Secretary-General in his report of 29 April 1997 (A/51/508/Add.3). This points, in the view of the

Advisory Committee, to a lack of uniformity in presentation of budget documents. The Committee recalls that annex I to the report of the Secretary-General on the cost estimates for the United Nations Peacekeeping Force in Cyprus (UNFICYP) (A/52/775/Add.1) contains information on the apportioned appropriations for the period from 1 July 1997 to 30 June 1998, rather than proposed estimates.

19. The Advisory Committee points out that the proposed requirements of \$15.7 million are estimated for the maintenance of the mission during the period of two months only (July-August 1998). Out of the total of \$15.7 million, the largest single provision is \$9.6 million for reimbursement of contingent-owned equipment. This has been estimated on the basis of a retroactive application of the new contingent-owned equipment arrangements. With regard to the proposed requirement of \$9.6 million for reimbursement of contingent-owned equipment and requirements of \$0.4 million for self-sustainment, the Committee refers to its observations and recommendations in paragraphs 9 to 12 above. The Committee also notes from the report that provision for self-sustainment is included under the appropriate budget line items according to the nature of its cost (A/52/805, annex II.C, para. 4). The Committee points out that requirements for self-sustainment in the performance report for UNPREDEP for the period from 1 July 1996 to 30 June 1997 are included under contingent-owned equipment. This shows a lack of consistency in budget presentation for peacekeeping operations.

20. With regard to the proposed requirements of \$312,000 for spare parts, repairs and maintenance under budget line item 9, Other equipment, the Secretariat clarified, upon enquiry, that this provision includes \$57,900 for the ongoing maintenance of UNPREDEP equipment, as well as \$254,100 for the refurbishment of equipment that is to be sent to the United Nations Logistics Base at Brindisi. Provision is also made for the refurbishment of transportation equipment (\$113,600) and communications equipment (\$69,100) to be transferred to the United Nations Logistics Base at Brindisi. The cost of refurbishment will be borne by the UNPREDEP budget. The budget of the United Nations Logistics Base at Brindisi for 1998-1999 does not contain provision for the refurbishment of equipment received from closing missions.

21. The Advisory Committee was provided, upon request, with a list of functions to be performed by the liquidation team in the mission area from September to December 1998 and at Headquarters from January to June 1999. This information is reproduced in the annex to the present document. The Committee believes that efforts should be made to speed up the reduction in the civilian personnel of the mission during its liquidation period, especially during

the months from October to December 1998. At the same time, the Committee stresses the importance of retaining the most experienced staff to perform liquidation tasks.

22. The Advisory Committee notes from paragraph 22 of the report that, as a result of the reduction in the military component of the mission from 1,050 to 750, the changes to the current staffing table of 203 posts reflect a total reduction of 14 posts (4 international and 10 local) for the maintenance of the mission during July and August 1998. The Committee points out that while the reduction in troops was attained by the end of October 1997, the establishment of international and local staff is to remain unchanged (203) until the end of June 1998. The Committee points also to a high vacancy rate in UNPREDEP during the current financial period (15 per cent for both international and local staff as at 28 February 1998). The civilian structure of the mission during the period from October to December 1998 also appears to be too heavy, especially taking into account that during that period no United Nations military personnel or civilian police will be present in the mission area. The Committee recommends that efforts be made to speed up the reduction in the civilian structure of the mission during the period from July to December 1998.

23. The Secretary-General, in his report, proposes that the General Assembly appropriate \$22.3 million gross for the maintenance and liquidation of UNPREDEP during the period from 1 July 1998 to 30 June 1999 (A/52/805, para. 23). Taking into account its comments and observations in the paragraphs above, the Advisory Committee recommends that the Assembly appropriate an amount of \$20 million gross for the mission for the period under consideration.

Annex

Functions to be performed by the liquidation team in the mission area from September to December 1998

- Review field accounts with the Accounts Division prior to withdrawal from mission
- Ensure that outstanding commercial claims are processed prior to final withdrawal of senior staff from field
- Request the mission to bring their Claims Review Board, Property Survey Board and Board of Inquiries cases up to date and establish receivables
- Review and forward standard format for disposal of assets and depreciation scales to the mission
- Ensure final preparation of final disposition of assets report prior to departure of the Chief Administrative Officer/Chief Financial Officer
- Follow-up on receiving and inspection reports from receiving missions
- Ensure that final internal audit is executed before withdrawal of senior staff
- Provide assistance to the Management Review Unit on audit observations
- Ensure collection of outstanding private telephone calls prior to closure of the mission
- Review allotment reports, in particular outstanding obligations, in conjunction with Purchase and Transport Service
- Collect relevant data for the financial performance report from the Purchase and Transport Service, the Logistics and Communication Section and the Personnel Management and Support Service
- Ensure follow-up and implementation of Headquarters guidelines for the six-month period prior to withdrawal
- Review the status of action taken during the first stage with liquidation officers designated by the Personnel Management and Support Service and the Logistics and Communication Section
- Review with the Accounts Division, three months prior to the closing of the field office, the status of the field accounts
- Review the work plan submitted by the mission and make recommendations on incomplete matters
- Verify that all write-off cases have been submitted in accordance with financial regulations and rules
- Liquidation officer designated by the Finance Management and Support Service to review matters with the Chief Administrative Officer/Chief Financial Officer before accounts are closed and forwarded to Headquarters

Functions to be performed by the liquidation team at Headquarters in New York from January to June 1999

- Carry out final review in conjunction with the Office of Programme Planning, Budget and Accounts
- Follow-up on all outstanding accounts receivable/payable

- Final review of all accounts receivable/payable cases in dispute, such as outstanding telephone bills and Property Survey Board cases
 - Preparation of final write-off cases, inclusive of accounts receivable/payable of staff members, vendors, Governments and agencies
 - Implementation of necessary adjustments to accounts after accounts receivable/payable reviews
 - Prepare manual vouchers merging SunSystem accounts receivable/payable subsidiary ledgers with the United Nations accounting system
 - Prepare recording of pending inter-office vouchers
 - Hand over accounts to the Accounts Division
 - Prepare draft performance report with explanations and justifications for submission to the Office of Programme Planning, Budget and Accounts
 - Ensure that the administrative final lessons learned report is completed before the departure of the Chief Administrative Officer/Chief Financial Officer
-